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Message Text

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70
ACTION EUR-12

INFO OCT-01 ISO-00 EB-04 CIAE-00 DODE-00 INR-05 NSAE-00

PA-01 RSC-01 USIA-06 PRS-01 SP-02 FEA-01 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 H-01 L-01

FRB-01 FAA-00 DOTE-00 /061 W
---------- 093341
R 231710Z OCT 74
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5046

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E.O. 11652: N/A
TAGS: EAIR, ETRD, UK
SUBJ: HS-146 AIRCRAFT PROJECT FORMALLY ENDED
REF: LONDON 13455

1. HAWKER SIDDELEY'S ONE-WEEK'S NOTICE TO GOVERNMENT OF ITS INTENTION TO HALT WORK ON HS-146 PROJECT EXPIRED ON OCTOBER 21 WITHOUT ANY COUNTER-OFFER FROM UKG AND, ACCORDINGLY, HS HAS ISSUED STOP-WORK AND CANCELLATION ORDERS TO ITS WORK FORCE AND TO SUBCONTRACTORS INCLUDING AVCO-LYCOMING, THE US ENGINE SUPPLIER FOR THE AIRCRAFT. MANUFACTURER HAS HAD TO CONTEND WITH SOME WORKER PROTESTS OVER CANCELLATION OF PROJECT BUT COMPANY MAINTAINS FEWER THAN 300 WORKERS AFFECTED AND IT IS EXPECTED PROTESTS WILL DIE OUT BY WEEKEND.

2. HS SAYS DECISION DROP HS-146 PROJECT BASED LARGELY ON TWO FACTORS:
(A) UNCERTAINTIES OF DESIGNING AND BUILDING A NEW AIR-CRAFT DURING INFLATIONARY PERIOD; AND
(B) FINANCIAL SQUEEZE ON AIRLINES AND SLOW TRAFFIC GROWTH WHICH WOULD MEAN THAT AIRCRAFT WOULD COME ONTO MARKET ABOUT TWO YEARS BEFORE AIRLINES READY TO BUY IT. HS SAYS
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ONLY WAY IT WOULD CONTINUE PROJECT WOULD BE IF GOVERNMENT

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TOOK IT OVER AND GOVERNMENT CERTAINLY DOES NOT APPEAR TO BE DISPOSED TO DO THAT EVEN THOUGH IT VERY DIFFICULT FOR UKG TO ACCEPT DEMISE OF UK'S ONLY NEW CIVIL TRANSPORT PROJECT WITH SALES POTENTIAL INTO THE 1980S.

3. GENERAL MANAGER OF LYCOMING DIV. OF AVCO-LYCOMING (BARTOS) FLEW TO LONDON LAST WEEK FOR TALKS WITH HS. AT HIS REQUEST, WE SET UP AND ACCOMPANIED HIM ON CALL ON DAVID JONES AND TONYWARRINGTON, DEPUTY SECRETARY AND UNDER SECRETARY, DEPARTMENT OF INDUSTRY. BARTOS TOLD THEM HIS COMPANY BELIEVED HS-146 MAY BE UK'S LAST OP-PORTUNITY TO REMAIN IN CIVIL TRANSPORT BUSINESS AND HE RE-AFFIRMED HIS COMPANY'S FAITH IN THE PROJECT. JONES AND WARRINGTON LISTENED SYMPATHETICALLY BUT IT WAS EVIDENT THAT THERE WAS LITTLE UKG COULD DO ON SHORT NOTICE TO PRESERVE A PROJECT WHICH PRIME CONTRACTOR HAD DECLARED UNVIABLE.

4. WE UNDERSTAND AVCO IS DISCUSSING WITH HS POSSIBILITY OF RE-ENGINING HS-748 WITH ITS ALF 502 ENGINE AND IT ALSO HAS SERVERAL OTHER PROJECTS WHICH IT IS DISCUSSING WITH BRITISH AEROSPACE COMPANIES. THEREFORE, ALTHOUGH AVCO SERIOUSLY DISAPPOINTED BY HS DECISION ON 146 PROJECT, IT STILL HOPES TO BE ABLE TO DO SOME BUSINESS HERE IN UK.

ANNENBERG

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Message Attributes

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Current Classification: UNCLASSIFIED
Concepts: JET AIRCRAFT, PROGRAMS (PROJECTS), CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
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